

August 25, 2000

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Rec'd
8/28/00

Manager, Dissemination Branch, Management and Services Division
Office of Thrift Supervision
1700 G Street
N.W., Washington, DC 20552

Re: Transmittal TR-233, Nontraditional Lending (Subprime Loans)
Federal Register, Vol. 65, No. 151, pp. 48049-48056

I agree that Subprime lending is a potentially high-risk activity that poses increased risk to the safety and soundness of lending institutions. However, as the manager of a small, rural, thrift, I have serious concerns regarding the proposed changes in the reporting of Subprime loans.

It is my contention that field-examiners have historically done an adequate job in determining an institutions loan risk exposure through measuring current portfolio performance, loss histories, loss allocations, capital adequacy, etc. These methods of determining high-risk lenders are far more prudent than utilizing standardized cut-offs for loan fees, interest rates charged, debt-to-income ratios, and credit scores. One size does not fit all. Common sense indicates there are too many variables in establishing a fair, concise, definition of Subprime for reporting purposes. The subjectivity of an all-inclusive, broad definition, would adversely affect field-examiners and thrift managers as well.

If the intent of the proposed changes is to circumvent future First Union/Money Store situations, it seems that creating undo reporting burdens and possible capital restrictions on smaller banks is not the answer.

It appears that an exemption for smaller institutions with assets of less than 500 million would be beneficial in relieving the above-mentioned regulatory burden; and provide smaller institutions the ability to lend to low-income borrowers that might otherwise be considered Subprime by vague or broad based regulatory definition.

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